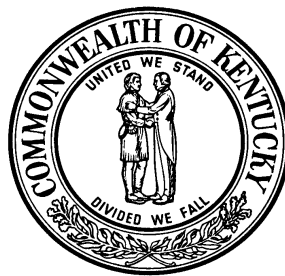


**REPORT OF THE AUDIT OF THE
GRANT COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



CRIT LUALLLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Darrell L. Link, Grant County Judge/Executive

Members of the Grant County Fiscal Court

The enclosed report prepared by Blue & Company, LLC, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Blue & Company, LLC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Blue & Company, LLC evaluated Grant County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Pubic Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
GRANT COUNTY FISCAL COURT

June 30, 2009

Blue & Co., LLC has completed the audit of the Grant County Fiscal Court for fiscal year ended June 30, 2009. They have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Grant County, Kentucky.

Financial Condition:

The County had total net assets of \$8,392,842 as of June 30, 2009. The County had unrestricted net assets of \$5,360,474 in its governmental activities as of June 30, 2009, with total net assets of \$8,256,214. In its business-type activities, total net cash and cash equivalents were \$134,628 with total net assets of \$136,628. The County had total debt principal as of June 30, 2009 of \$23,113,000 with \$657,000 due within the next year.

Report Comments:

- 2009-01 The County Should Ensure That All Bank Accounts Are Properly Reconciled Monthly
- 2009-02 The County Should Ensure That Funds Received Are Deposited Daily
- 2009-03 The County Should Ensure That All Employee Timesheets Are Signed By The Employee And Supervisor Review And Approval Is Documented
- 2009-04 The Jailer Should Ensure That Complete And Appropriate Documentation For All Expenditures From The Canteen Fund Are Maintained And Approval Is Documented For All Payments Including Electronic Funds Transfers
- 2009-05 The County Should Ensure That The Treasurer Receives An Annual Report From The Jailer Of The Receipts And Disbursements Of The Jail Canteen Fund In Accordance With KRS 441.135(2)
- 2009-06 The Jailer Should Ensure Canteen Fund And Inmate Fund Bank Accounts Are Properly Reconciled

Deposits:

The County and component units' deposits were insured and collateralized by bank securities or bonds.

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APPENDIX A:

CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



Blue & Co., LLC / 301 East Main Street, Suite 1100 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Darrell L. Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Grant County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Grant County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Darrell L. Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2011 on our consideration of Grant County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2009-01 The County Should Ensure That All Bank Accounts Are Properly Reconciled Monthly
- 2009-02 The County Should Ensure That Funds Received Are Deposited Daily
- 2009-03 The County Should Ensure That All Employee Timesheets Are Signed By The Employee And Supervisor Review And Approval Is Documented
- 2009-04 The Jailer Should Ensure That Complete And Appropriate Documentation For All Expenditures From The Canteen Fund Are Maintained And Approval Is Documented For All Payments Including Electronic Funds Transfers
- 2009-05 The County Should Ensure That The Treasurer Receives An Annual Report From The Jailer Of The Receipts And Disbursements Of The Jail Canteen Fund In Accordance With KRS 441.135(2)
- 2009-06 The Jailer Should Ensure Canteen Fund And Inmate Fund Bank Accounts Are Properly Reconciled

Respectfully submitted,

Blue & Co., LLC

January 31, 2011

GRANT COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Darrell Link	County Judge/Executive
Richard Austin	Magistrate
Brian Linder	Magistrate
Bobby Young	Magistrate

Other Elected Officials:

Joe Taylor	County Attorney
Steven Kellam	Former Jailer
Terry Peeples	Jailer
Leatha Conrad	County Clerk
Shirley Wilson	Circuit Court Clerk
C.E. Dills, II	Sheriff
Angela McLafferty	Property Valuation Administrator
Marylee Willoby	Coroner

Appointed Personnel:

Roger Wagoner	Former County Treasurer
Peggy Updike	County Treasurer
Evalene Davis	Deputy Judge Executive
Steve Tatum	Road Supervisor
Connie McClure	County Finance Officer
Tracy McIntosh	Jail Administrator/Assistant Bookkeeper

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GRANT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2009

GRANT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 13,521,539	\$ 134,628	\$ 13,656,167
Interest Receivable (Corinth Water Distric	8,479		8,479
Notes Receivable (Waterlines)	87,000		87,000
Total Current Assets	13,617,018	134,628	13,751,646
Noncurrent Assets:			
Notes Receivable (Waterlines)	961,000		961,000
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	8,418,392		8,418,392
Land and Land Improvements	886,252		886,252
Buildings	5,338,118		5,338,118
Machinery and Equipment	621,341		621,341
Vehicles and Equipment	417,294	2,000	419,294
Infrastructure	1,109,799		1,109,799
Total Noncurrent Assets	17,752,196	2,000	17,754,196
Total Assets	31,369,214	136,628	31,505,842
LIABILITIES			
Current Liabilities:			
Bonds Payable	570,000		570,000
Financing Obligations Payable	87,000		87,000
Total Current Liabilities	657,000		657,000
Noncurrent Liabilities:			
Bonds Payable	21,495,000		21,495,000
Financing Obligations Payable	961,000		961,000
Total Noncurrent Liabilities	22,456,000		22,456,000
Total Liabilities	23,113,000		23,113,000
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	2,344,732	2,000	2,346,732
Restricted For:			
Debt Service	551,008		551,008
Unrestricted	5,360,474	134,628	5,495,102
Total Net Assets	\$ 8,256,214	\$ 136,628	\$ 8,392,842

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

GRANT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,262,579	\$ 40,442	\$ 2,017,830	\$
Protection to Persons and Property	3,078,289	2,857,223	219,369	
General Health and Sanitation	672,401	8,974	296,206	
Social Services	42,747			
Recreation and Culture	406,651			
Roads	896,112		1,098,997	
Transportation Facilities and Services	6,000			
Interest on Long-term Debt	1,193,299			
Total Governmental Activities	9,558,078	2,906,639	3,632,402	
Business-type Activities:				
Jail Canteen	268,694	299,687		
Total Business-type Activities	268,694	299,687		
Total Primary Government	\$ 9,826,772	\$ 3,206,326	\$ 3,632,402	\$ 0

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Franchise Taxes
Transient Room Taxes
Other Taxes

Excess Fees

Miscellaneous Revenues

Interest

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,204,307)	\$	\$ (1,204,307)
(1,697)		(1,697)
(367,221)		(367,221)
(42,747)		(42,747)
(406,651)		(406,651)
202,885		202,885
(6,000)		(6,000)
(1,193,299)		(1,193,299)
(3,019,037)		(3,019,037)
	30,993	30,993
	30,993	30,993
(3,019,037)	30,993	(2,988,044)
1,419,812		1,419,812
115,754		115,754
226,910		226,910
190,801		190,801
101,380		101,380
118,749		118,749
79,465		79,465
589,224		589,224
488,398	3,165	491,563
3,330,493	3,165	3,333,658
311,456	34,158	345,614
7,944,758	102,470	8,047,228
\$ 8,256,214	\$ 136,628	\$ 8,392,842

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

GRANT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund
ASSETS				
Cash and Cash Equivalents	\$ 4,732,419	\$ 384,079	\$ 118,715	\$ 551,008
Total Assets	<u>4,732,419</u>	<u>384,079</u>	<u>118,715</u>	<u>551,008</u>
FUND BALANCES				
Reserved for:				
Encumbrances	6,065	4,839	537	
Debt Service Fund				551,008
Unreserved:				
General Fund	4,726,354			
Special Revenue Funds		379,240	118,178	
Capital Projects Fund				
Total Fund Balances	<u>\$ 4,732,419</u>	<u>\$ 384,079</u>	<u>\$ 118,715</u>	<u>\$ 551,008</u>

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Public Properties Construction Fund	Non- Major Funds	Total Governmental Funds
<u>\$ 7,618,536</u>	<u>\$ 116,782</u>	<u>\$ 13,521,539</u>
<u>7,618,536</u>	<u>116,782</u>	<u>13,521,539</u>

		11,441
		551,008
		4,726,354
	116,782	614,200
<u>7,618,536</u>	<u>116,782</u>	<u>7,618,536</u>
<u>\$ 7,618,536</u>	<u>\$ 116,782</u>	<u>\$ 13,521,539</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 13,521,539
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Interest Receivable Used in Governmental Activities Are Not Current Financial Resources And Therefore Are Not Reported In The Funds.	8,479
Notes Receivable Used in Governmental Activities Are Not Current Financial Resources And Therefore Are Not Reported In The Funds.	1,048,000
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds.	19,735,041
Accumulated Depreciation	(2,943,845)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(1,048,000)
Revenue Bonds	(22,065,000)
Net Assets Of Governmental Activities	<u>\$ 8,256,214</u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

GRANT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund
REVENUES				
Taxes	\$ 2,173,405	\$	\$	\$
Excess Fees	79,465			
Licenses and Permits	78,406			
Intergovernmental	1,331,070	1,025,210	2,692,868	
Charges for Services	7,124		171,301	
Miscellaneous	414,215	45,446	131,410	
Interest	105,950	4,280	982	14,814
Total Revenues	<u>4,189,635</u>	<u>1,074,936</u>	<u>2,996,561</u>	<u>14,814</u>
EXPENDITURES				
General Government	1,700,662			
Protection to Persons and Property	260,190		2,668,361	
General Health and Sanitation	680,145			
Social Services	42,747			
Recreation and Culture	397,130			
Roads		854,727		
Other Transportation Facilities and Services				
Debt Service	153,374			980,850
Capital Projects				
Administration	847,737	117,134	640,242	1,919
Total Expenditures	<u>4,081,985</u>	<u>971,861</u>	<u>3,308,603</u>	<u>982,769</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>107,650</u>	<u>103,075</u>	<u>(312,042)</u>	<u>(967,955)</u>
Other Financing Sources (Uses)				
Transfers Out	(734,400)		(575,387)	
Transfers In			734,000	575,387
Total Other Financing Sources (Uses)	<u>(734,400)</u>		<u>158,613</u>	<u>575,387</u>
Net Change in Fund Balances	(626,750)	103,075	(153,429)	(392,568)
Fund Balances - Beginning	5,359,169	281,004	272,144	943,576
Fund Balances - Ending	<u>\$ 4,732,419</u>	<u>\$ 384,079</u>	<u>\$ 118,715</u>	<u>\$ 551,008</u>

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Public Properties Construction Fund	Total Non- Major Funds	Total Governmental Funds
\$	\$ 1,356	\$ 2,174,761
		79,465
		78,406
1,239,075	73,787	6,362,010
		178,425
		591,071
361,746	625	488,397
<u>1,600,821</u>	<u>75,768</u>	<u>9,952,534</u>
		1,700,662
	1,721	2,930,272
		680,145
		42,747
		397,130
		854,727
	6,000	6,000
1,237,075		2,371,299
6,039,267		6,039,267
2,732		1,609,764
<u>7,279,074</u>	<u>7,721</u>	<u>16,632,013</u>
<u>(5,678,253)</u>	<u>68,047</u>	<u>(6,679,478)</u>
		(1,309,787)
	400	1,309,787
	<u>400</u>	
(5,678,253)	68,447	(6,679,478)
13,296,789	48,335	20,201,017
<u>\$ 7,618,536</u>	<u>\$ 116,782</u>	<u>\$ 13,521,539</u>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

GRANT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (6,679,478)
<p>Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	6,187,901
Depreciation Expense	(289,967)
Net Book Value of Assets Disposed	(2,000)
<p>Governmental Funds Reports Amounts Collected on Receivables as Revenues, However, in the Statement of Activities the Amount Collected on Receivables Has No Effect On Revenues. The Amount Collected Reduces Receivables Included in Net Assets.</p>	
Waterlines Amount For Debt Service on Financing Obligation Collected	(83,000)
<p>Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources.</p>	
Financing Obligations Principal Amount	83,000
Bond Principal Payments	<u>1,095,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 311,456</u></u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

GRANT COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 134,628
Total Current Assets	<u>134,628</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	43,189
Less Accumulated Depreciation	<u>(41,189)</u>
Total Noncurrent Assets	<u>2,000</u>
Total Assets	<u>136,628</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	2,000
Unrestricted	<u>134,628</u>
Total Net Assets	<u>\$ 136,628</u>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

June 30, 2009

GRANT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUND
- MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business - Type Activities Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 299,687
Total Operating Revenues	<u>299,687</u>
Operating Expenses	
Cost of Sales	55,697
Educational and Recreational	12,535
Personnel Costs	4,482
Work Program	3,155
Miscellaneous	<u>192,825</u>
Total Operating Expenses	<u>268,694</u>
Operating Income	<u>30,993</u>
Nonoperating Revenues (Expenses)	
Interest Income	<u>3,165</u>
Total Nonoperating Revenues (Expenses)	<u>3,165</u>
Change In Net Assets	34,158
Total Net Assets - Beginning	<u>102,470</u>
Total Net Assets - Ending	<u><u>\$ 136,628</u></u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

GRANT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business - Type Activities Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 299,687
Payments To Vendors	<u>(268,694)</u>
Net Cash Provided by Operating Activities	<u>30,993</u>
Cash Flows From Noncapital Financing Activities	
Interest Income	<u>3,165</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,165</u>
Net Increase in Cash and Cash Equivalents	34,158
Cash and Cash Equivalents - July 1, 2008	<u>100,470</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 134,628</u></u>
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities	
Operating Income	<u>\$ 30,993</u>
Net Cash Provided By Operating Activities	<u><u>\$ 30,993</u></u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

GRANT COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Agency Fund</u>
	Jail
	Inmate
	<u>Account</u>
Assets	
Current Assets:	
Cash	\$ 37,666
Total Assets	<u>37,666</u>
Liabilities	
Amounts Held in Custody for Others	<u>37,666</u>
Total Liabilities	<u>37,666</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

Grant County Fiscal Court (the County) presents its government-wide and fund financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenue when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and their corresponding depreciation expenses are included on the Statement of Activities.

B. Reporting Entity

The financial statements of Grant County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the County is financially accountable or the organization's exclusion would cause the County's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides services exclusively to the primary government and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though it is part of the County's primary government using the blended method.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity

Grant County Public Properties Corporation

The Grant County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Grant County Fiscal Court is financially accountable for the component unit as part of the reporting entity and its financial activity is blended with that of the fiscal court.

C. Grant County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Grant County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Grant County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The primary government reports the governmental activities, business-type activities and proprietary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the governmental funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenditures are recognized when paid.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payment from other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Public Properties Corporation Fund - This is for the accumulation of resources for, and the payment of general long-term debt principal and interest associated with the construction of the jail and jail addition. The Department for Local Government does not require the fiscal court to report or budget these funds.

Public Properties Construction Fund - This is for the accumulation of resources, and the payment of construction costs, long-term debt principal and interest associated with the construction of the Grant County Judicial Center. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund and Forest Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Forest Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Capital Project Fund:

The Public Properties Construction Fund is presented as a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements on Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Inmate Account Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Account Fund - This fund accounts for funds received from the inmates.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

F. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Buildings and Building Improvements	\$ 25,000	10-75
Infrastructure	\$ 10,000	10-50
Machinery and Equipment	\$ 5,000	3-25
Intangibles	\$ 5,000	5-15

H. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

I. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, such as debt service and encumbrances.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet-Governmental Funds as part of the fund balance.

J. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Properties Corporation Fund and the Public Properties Construction Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements.

The State Local Finance Officer does not require the Jail Canteen Fund and the Jail Inmate Agency Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

Note 2. Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met; however, approval was not reflected in the minutes of the board or committee.

Custodial Credit Risk - Deposit

Custodial Credit Risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 886,252	\$	\$	\$ 886,252
Construction In Progress	2,379,125	6,039,267		8,418,392
Total Capital Assets Not Being Depreciated	3,265,377	6,039,267		9,304,644
Capital Assets, Being Depreciated:				
Buildings	6,551,500	15,000		6,566,500
Machinery and Equipment	1,148,149	72,240		1,220,389
Vehicles and Equipment	1,399,096	61,394	(24,500)	1,435,990
Infrastructure	1,207,518			1,207,518
Total Capital Assets Being Depreciated	10,306,263	148,634	(24,500)	10,430,397
Less Accumulated Depreciation For:				
Buildings	(1,134,295)	(94,087)		(1,228,382)
Other Equipment	(530,293)	(68,755)		(599,048)
Vehicles and Equipment	(935,861)	(105,335)	22,500	(1,018,696)
Infrastructure	(75,929)	(21,790)		(97,719)
Total Accumulated Depreciation	(2,676,378)	(289,967)	22,500	(2,943,845)
Total Capital Assets, Being Depreciated, Net	7,629,885	(141,333)	(2,000)	7,486,552
Governmental Activities Capital Assets, Net	<u>\$ 10,895,262</u>	<u>\$ 5,897,934</u>	<u>\$ (2,000)</u>	<u>\$ 16,791,196</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 43,189	\$	\$	\$ 43,189
Total Capital Assets Being Depreciated	43,189			43,189
Less Accumulated Depreciation For:				
Vehicles and Equipment	(41,189)			(41,189)
Total Accumulated Depreciation	(41,189)			(41,189)
Total Capital Assets, Being Depreciated, Net	2,000			2,000
Business-Type Activities Capital Assets, Net	\$ 2,000	\$ 0	\$ 0	\$ 2,000

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government and business-type activities as follows:

Governmental Activities:

General Government	\$ 39,321
Protection to Persons and Property	7,256
General Health and Sanitation	149,624
Recreation and Culture	10,420
Roads, Including Depreciation of General Infrastructure Assets	<u>83,346</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 289,967</u>

Business-Type Activities

Jail Canteen	\$ <u> </u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 0</u>

Note 4. Long-Term Debt

A. First Mortgage Revenue Bonds, Series 2005

The Grant County Public Properties Corporation issued \$910,000 First Mortgage Revenue Bonds dated August 1995, for the construction of a jail. In December of 2005, the Grant County Public Properties Corporation issued revenue bonds to refund the Series 1995 bonds. Principal payments are due each year on July 1. Interest at interest rates ranging from 3.40% to 4.50% on the bonds is payable each July 1 and January 1, and began on January 1, 2006. The principal balance outstanding for the bond issue as of June 30, 2009 was \$310,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 50,000	\$ 14,425
2011	50,000	12,425
2012	55,000	10,256
2013	55,000	7,919
2014	<u>150,000</u>	<u>3,375</u>
Totals	360,000	48,400
Less: Payments		
Due July 2009		
Paid June 2009	<u>50,000</u>	<u>7,713</u>
Total Outstanding June 30, 2009	<u>\$ 310,000</u>	<u>\$ 40,687</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-Term Debt (Continued)

B. First Mortgage Revenue Bonds, Series 1998

The Grant County Public Properties Corporation issued \$7,775,000; First Mortgage Revenue Bonds dated August 1998, for the construction of a jail addition. Principal payments are due each year on July 1, in the amounts indicated below starting July 1, 2000. Interest at interest rates ranging from 4.60% to 4.75% on the bonds is payable each July 1 and January 1, beginning January 1, 1999. The principal balance outstanding for this bond issue as of fiscal year ended June 30, 2009, was \$5,690,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 255,000	\$ 273,914
2011	265,000	261,883
2012	275,000	249,390
2013	290,000	236,319
2014	305,000	222,443
2015-2019	1,805,000	877,212
2020-2024	2,225,000	404,242
2025	525,000	12,468
Totals	5,945,000	2,537,871
Less: Payments		
Due July 2009		
Paid June 2009	255,000	139,907
Total Outstanding June 30, 2009	<u>\$ 5,690,000</u>	<u>\$ 2,397,964</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-Term Debt (Continued)

C. First Mortgage Revenue Bond, Series 2007

The Grant County Public Properties Corporation issued \$16,615,000; First Mortgage Revenue Bonds dated December 1, 2007, for the construction of the Grant County Judicial Center. Principal payments are due each year on December 1, in the amounts indicated below starting December 1, 2008. Interest at interest rates ranging from 4.00% to 4.50% on the bonds is payable each June 1 and December 1, beginning June 1, 2008. The principal balance outstanding for this bond issue as of fiscal year ended June 30, 2009, was \$16,065,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 570,000	\$ 664,675
2011	595,000	641,375
2012	620,000	617,075
2013	645,000	591,775
2014	700,000	565,475
2015-2019	3,760,000	2,393,575
2020-2024	4,695,000	1,535,950
2025-2028	4,480,000	418,837
Total Outstanding June 30, 2009	<u>\$ 16,065,000</u>	<u>\$ 7,428,737</u>

The Grant County Public Properties Corporation (Corporation), Grant County Fiscal Court and the Administrative Office of the Courts (AOC) entered into a lease agreement dated December 1, 2007, wherein AOC shall lease from the Corporation the new judicial center at an agreed rental which is anticipated to be adequate to pay no less than 100% of the principal and interest on the bonds.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-Term Debt (Continued)

D. Waterlines - Bullock Pen Phase III

Grant County entered into an agreement with KACoLT for the construction of waterlines for the Bullock Pen – Phase III Water Expansion Project. A total of \$1,500,000 was awarded to Grant County during fiscal year ended June 30, 1995. The agreement calls for Grant County to make annual payments beginning September 1995, and ending January 20, 2019. Interest is paid monthly at an effective rate of 5.45 percent. The outstanding principal balance as of June 30, 2009, was \$877,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 68,000	\$ 54,941
2011	72,000	50,431
2012	76,000	45,662
2013	80,000	40,634
2014	84,000	35,347
2015-2019	497,000	86,616
Totals	<u>\$ 877,000</u>	<u>\$ 313,631</u>

E. Waterlines – Bullock Pen Phase IV

Grant County entered into an agreement with KACoLT for the construction of waterlines for the Bullock Pen Water Expansion Project – Phase IV. A total of \$336,000 was awarded to Grant County. The agreement calls for Grant County to make annual payments beginning October 1996, and ending February 2016. Interest is paid monthly at an effective rate of 5.10 percent. The outstanding principal balance as of June 30, 2009, was \$171,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 19,000	\$ 9,987
2011	20,000	8,798
2012	22,000	7,522
2013	23,000	6,149
2014	24,000	4,715
2015-2016	63,000	4,578
Totals	<u>\$ 171,000</u>	<u>\$ 41,749</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-Term Debt (Continued)

The total principal outstanding as of June 30, 2009 for the two agreements (D & E) listed is \$1,048,000.

The agreements listed above were subsequently sub-leased to each applicable district. The districts make monthly payments to the county for the debt service requirements in accordance with the sub-lease agreements.

F. Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 23,160,000	\$	\$1,095,000	\$22,065,000	\$ 570,000
Financing Obligations	1,131,000		83,000	1,048,000	87,000
Governmental Activities					
Long-term Liabilities	<u>\$ 24,291,000</u>	<u>\$ 0</u>	<u>\$ 1,178,000</u>	<u>\$23,113,000</u>	<u>\$ 657,000</u>

Note 5. Insurance

For the fiscal year ended June 30, 2009, Grant County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 6. Interest Receivable

On March 31, 1994, the fiscal court, on behalf of the Corinth Water District, entered into an agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of rural waterlines. The agreement required variable annual payments for twenty-five years. The fiscal court made the required principal and interest payments to KACoLT and then collected the required principal and interest payments from the Corinth Water District. The entire remaining principal balance was received from the Corinth Water District and paid by the fiscal court in June 2005. As of the June 30, 2009, the Corinth Water District owed an additional \$8,479 in interest payments to the fiscal court for scheduled interest that was paid by the fiscal court on their behalf.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Employee Retirement System

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The County's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$478,577, FY 2008 was \$528,462, and FY 2009 was \$502,670.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 8. Subsequent Events

Grant County issued \$1,020,000 General Obligation Refunding Bonds, Series 2010 dated May 2010 for the purpose of refunding and retiring the County's lease agreements with KACoLT (see Note 4 sections D and E). Principal payments are due each year on February 1, in amounts indicated below starting February 1, 2011. Interest at interest rates ranging from 1.00% to 3.30% on the bonds is payable each February 1 and August 1, beginning August 1, 2010. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 120,000	\$ 17,368
2012	115,000	22,218
2013	120,000	20,608
2014	120,000	18,568
2015	120,000	16,168
2016-2019	425,000	32,210
Totals	<u>\$ 1,020,000</u>	<u>\$ 127,140</u>

Grant County issued \$5,475,000 General Obligation Refunding Bonds, Series 2010B dated September 2010 for the purpose of refunding and retiring the County's First Mortgage Revenue Bonds (Detention Facilities Project), Series 1998 and First Mortgage Revenue Bonds, Series 2005 (see Note 4 sections A and B). Principal payments are due each year on July 1, in amounts indicated below starting January 1, 2011. Interest at interest rates ranging from .40% to 2.70% on the bonds is payable each January 1 and July 1, beginning January 1, 2011. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 15,000	\$ 27,010
2012	380,000	103,735
2013	385,000	101,050
2014	390,000	97,175
2015	390,000	92,885
2016-2020	2,070,000	355,038
2021-2023	1,845,000	98,210
Totals	<u>\$ 5,475,000</u>	<u>\$ 875,103</u>

Construction on the Grant County Judicial Center (see Note 4 section C) was completed in April 2010. Construction cost paid subsequent to June 30, 2009 totaled approximately \$6,831,000.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Recent GASB Pronouncement

The County has not currently determined what, if any, effect implementation of the following statement may have on the financial statement:

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," issued March 2009, is effective for periods beginning after June 15, 2010. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis

For The Year Ended June 30, 2009

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,034,000	\$ 2,034,000	\$ 2,173,405	\$ 139,405
Excess Fees	22,094	22,094	79,465	57,371
Licenses and Permits	101,500	101,500	78,406	(23,094)
Intergovernmental Revenue	1,284,675	1,284,675	1,331,070	46,395
Charges for Services	9,000	9,000	7,124	(1,876)
Miscellaneous	349,050	349,050	414,215	65,165
Interest	70,000	70,000	105,950	35,950
Total Revenues	<u>3,870,319</u>	<u>3,870,319</u>	<u>4,189,635</u>	<u>319,316</u>
EXPENDITURES				
General Government	1,740,519	1,772,519	1,703,640	68,879
Protection to Persons and Property	395,250	396,179	260,190	135,989
General Health and Sanitation	582,977	710,128	680,145	29,983
Social Services	54,250	54,300	42,747	11,553
Recreation and Culture	470,200	487,069	397,130	89,939
Debt Service	153,375	153,375	153,374	1
Administration	1,181,264	1,004,013	847,737	156,276
Total Expenditures	<u>4,577,835</u>	<u>4,577,583</u>	<u>4,084,963</u>	<u>492,620</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(707,516)</u>	<u>(707,264)</u>	<u>104,672</u>	<u>811,936</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(484,237)</u>	<u>(484,237)</u>	<u>(734,400)</u>	<u>(250,163)</u>
Total Other Financing Sources (Uses)	<u>(484,237)</u>	<u>(484,237)</u>	<u>(734,400)</u>	<u>(250,163)</u>
Net Changes in Fund Balance	(1,191,753)	(1,191,501)	(629,728)	561,773
Fund Balance - Beginning	<u>1,191,753</u>	<u>1,191,753</u>	<u>5,267,081</u>	<u>4,075,328</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 252</u>	<u>\$ 4,637,353</u>	<u>\$ 4,637,101</u>

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,022,411	\$ 1,022,411	\$ 1,025,210	\$ 2,799
Miscellaneous	1,175	1,175	45,446	44,271
Interest	4,500	4,500	4,280	(220)
Total Revenues	1,028,086	1,028,086	1,074,936	46,850
EXPENDITURES				
Roads	891,660	914,836	854,727	60,109
Administration	159,214	136,038	117,134	18,904
Total Expenditures	1,050,874	1,050,874	971,861	79,013
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(22,788)	(22,788)	103,075	125,863
OTHER FINANCING SOURCES (USES)				
Transfers In	22,788	22,788		(22,788)
Total Other Financing Sources (Uses)	22,788	22,788		(22,788)
Net Changes in Fund Balance			103,075	103,075
Fund Balance - Beginning			281,004	281,004
Fund Balance - Ending	\$ 0	\$ 0	\$ 384,079	\$ 384,079

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,258,600	\$ 3,258,600	\$ 2,692,868	\$ (565,732)
Charges for Services	140,000	140,000	171,301	31,301
Miscellaneous	146,500	146,500	131,410	(15,090)
Interest	3,000	3,000	982	(2,018)
Total Revenues	3,548,100	3,548,100	2,996,561	(551,539)
EXPENDITURES				
Protection to Persons and Property	2,685,933	2,762,701	2,668,361	94,340
Debt Service	592,316	592,316		592,316
Administration	731,300	654,532	640,242	14,290
Total Expenditures	4,009,549	4,009,549	3,308,603	700,946
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(461,449)	(461,449)	(312,042)	149,407
OTHER FINANCING SOURCES (USES)				
Transfers Out			(575,387)	(575,387)
Transfers In	461,449	461,449	734,000	272,551
Total Other Financing Sources (Uses)	461,449	461,449	158,613	(302,836)
Net Changes in Fund Balance				
			(153,429)	(153,429)
Fund Balance - Beginning			272,144	272,144
Fund Balance - Ending	\$ 0	\$ 0	\$ 118,715	\$ 118,715

GRANT COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

2. Reconciliation – General Fund

Fund Balance - Budgetary Basis	\$ 4,637,353
Addition: Payroll Revolving Balance	<u>95,066</u>
Fund Balance - Modified Cash Basis	<u><u>\$ 4,732,419</u></u>

**GRANT COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

GRANT COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Local Government Economic Assistance Fund	Forest Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 116,713	\$ 69	\$ 116,782
Total Assets	<u>116,713</u>	<u>69</u>	<u>116,782</u>
FUND BALANCES			
Unreserved:			
Special Revenue Funds	116,713	69	116,782
Total Fund Balances	<u>\$ 116,713</u>	<u>\$ 69</u>	<u>\$ 116,782</u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

GRANT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	Forest Fund	Total Non-Major Governmental Funds
REVENUES			
Taxes	\$	\$ 1,356	\$ 1,356
Intergovernmental	73,787		73,787
Interest	621	4	625
Total Revenues	<u>74,408</u>	<u>1,360</u>	<u>75,768</u>
EXPENDITURES			
Protection to Persons and Property		1,721	1,721
Other Transportation Facilities and Services	<u>6,000</u>		<u>6,000</u>
Total Expenditures	<u>6,000</u>	<u>1,721</u>	<u>7,721</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>68,408</u>	<u>(361)</u>	<u>68,047</u>
Other Financing Sources (Uses)			
Transfers In		400	400
Total Other Financing Sources (Uses)		<u>400</u>	<u>400</u>
Net Change in Fund Balances	68,408	39	68,447
Fund Balances - Beginning	48,305	30	48,335
Fund Balances - Ending	<u>\$ 116,713</u>	<u>\$ 69</u>	<u>\$ 116,782</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



Blue & Co., LLC / 301 East Main Street, Suite 1100 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

The Honorable Darrell L. Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 31, 2011. Grant County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grant County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grant County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. However, we consider the deficiencies described in the accompanying comments and recommendations as items 2009-01, 2009-02, 2009-03 and 2009-04 to be significant deficiencies in internal control over financial reporting.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the deficiencies described in the accompanying comments and recommendations as items 2009-01, 2009-02, 2009-03 and 2009-04 to be material weaknesses in internal control over financial reporting.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Grant County's financial statements as of and for the year ended June 30, 2009, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendation as items 2009-05 and 2009-06.

The Grant County Judge/Executive's and the County Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Judge/Executive and Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Grant County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Blue & Co., LLC

January 31, 2011

**GRANT COUNTY
COMMENTS AND RECOMMENDATIONS**

For the Year Ended June 30, 2009

**GRANT COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2009

INTERNAL CONTROLS - MATERIAL WEAKNESSES

2009-01 The County Should Ensure That All Bank Accounts Are Properly Reconciled Monthly

The auditor noted during the audit that the Treasurer did not reconcile the Payroll bank account. Additionally, the bank reconciliation for the Road Fund could not be located for the month of June 2009 and amounts reported for outstanding checks and deposits in transit were frequently inaccurate. The lack of accurate reconciliations may lead to errors going undetected and uncorrected. These errors may be detected if the Treasurer is performing accurate and timely bank reconciliations. Per KRS 68.360 (1) the County Treasurer shall balance his books each month, so as to show the correct amount on hand belonging to each fund. We recommend the Treasurer perform accurate and timely reconciliations on all bank accounts.

Judge/Executive Darrell L. Link's Response: The current county treasurer began in July 2009 and is reconciling all accounts in a timely manner.

2009-02 The County Should Ensure That Funds Received Are Deposited Daily

The auditor noted during the course of our engagement that the Treasurer did not deposit payments received by the County on a daily basis. Per KRS 64.840: (1) Except for taxes collected on behalf of the state for which standard receipt forms had been supplied by the state prior to 1974, all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer, if the fine, forfeiture, tax, or fee is paid (a) In cash; (b) By a party appearing in person to pay; or (c) By check, credit card, or debit card account received through the mail, if the party includes an addressed, postage-paid return envelope and a request for receipt. (2) One copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one copy shall be retained by the official for his own records. One copy of the receipt shall be retained by the official to be placed with the daily bank deposit.

We recommend that the county prepare and make daily deposits as required by KRS 64.840.

Judge/Executive Darrell L. Link's Response: Current county treasurer is preparing and making daily bank deposits as required.

2009-03 The County Should Ensure That All Employee Timesheets Are Signed By The Employee And Supervisor Review And Approval Is Documented

The auditor noted during the course of our engagement several instances where an employee did not sign their timesheets and/or timesheets without documentation of review/approval by a supervisor. We recommend the County establish a process whereby employees are required to sign their timesheets and proper review and approval is documented on the timesheets by the employee's supervisor prior to payment.

Judge/Executive Darrell L. Link's Response: All department employees and supervisors have been informed to sign and review all time cards.

Jailer Terry Peeple's Response: I have spoken with the Human Resources Manager and informed her that all time cards require signatures and will not be submitted until a signature is provided.

GRANT COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

INTERNAL CONTROLS - MATERIAL WEAKNESSES (Continued)

2009-04 The Jailer Should Ensure That Complete And Appropriate Documentation For All Expenditures From The Canteen Fund Are Maintained And Approval Is Documented For All Payments Including Electronic Funds Transfers

The auditor noted payments to vendors in the Canteen Fund which lacked adequate documentation supporting the payment and/or lacked documentation of approval by an appropriate level of management.

We recommend that the Jailer review the process for documenting and approving payments from the Canteen Fund. The process should include requiring supporting documentation including receipts for credit card transactions and for any payments made via electronic funds transfer that approvals are obtained by an appropriate level of management and documented prior to a payment being processed.

Jailer Terry Peeple's Response: I have directed that all purchases for the Canteen be done by the Canteen Officer and Chief Deputy. They are to maintain all documentation and show approval for each purchase.

COMPLIANCE AND OTHER MATTERS

2009-05 The County Should Ensure That The Treasurer Receives An Annual Report From The Jailer Of The Receipts and Disbursements Of The Jail Canteen Fund In Accordance With KRS 441.135(2)

The auditor noted during our engagement the County Treasurer did not receive an annual report from the Jailer for the year ended June 30, 2009. Per KRS 441.135(2). The jailer shall provide an annual report of the receipts and disbursements of the Jail Canteen Fund to the County Treasurer.

We recommend the Jailer submit an annual report of the receipts and disbursements of the Jail Canteen Fund to the County as required by KRS 441.135(2).

Jailer Terry Peeple's Response: To correct this issue, I have instructed the Canteen Officer to submit this report at the end of each fiscal year.

2009-06 The Jailer Should Ensure Canteen Fund And Inmate Fund Bank Accounts Are Properly Reconciled

The auditor noted during our engagement that the book balances per the monthly bank reconciliations prepared by the Jail Administrator/Bookkeeper did not agree with the book balances per the accounting system.

We recommend that the Jailer ensure that the bank accounts are properly reconciled to the accounting system each month and perform a review all bank reconciliations prepared by the Jail Administrator/Bookkeeper.

Jailer Terry Peeple's Response: It is my intention to ensure that the bank accounts are properly reconciled with our accounting system each month and perform a review of all bank reconciliations prepared by the Administrator/Bookkeeper.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

GRANT COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

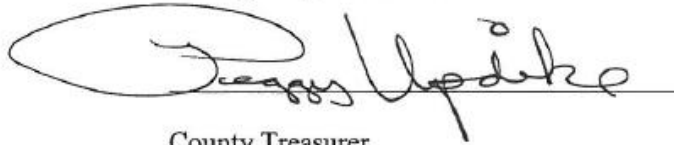
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
GRANT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Grant County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "D. L. Zil", written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to read "Treasurer Updike", written over a horizontal line.

County Treasurer

